Docket No. 08-0363
ICC Staff Exhibit 25.0

REBUTTAL TESTIMONY

of

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Energy Division
Illinois Commerce Commission

Northern Illinois Gas Company

d/b/a Nicor Gas Company

Proposed General Increase in Gas Rates

Docket No. 08-0363

October 23, 2008

Contents

I. Witness Qualifications

Q. State your name and business address.

A. David Brightwell, Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois, 62701.

Q. Are you the same David Brightwell who previously testified in this proceeding?

A. Yes.

II. Purpose of Testimony and Background Information

Q. What is the subject matter of your direct testimony?

A. My direct testimony concerns Rider 27: Company Use Gas Cost Adjustment ("CUA") and Rider 29: Energy Efficiency Plan ("EEP") proposed by Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas" or "Company")

III. Rider 27: Company Use Gas Cost Adjustment ("CUA")

Q. What conclusions and recommendations did you make regarding Rider CUA in your direct testimony?

A: My primary recommendation was that the Commission should reject Rider CUA. My two major concerns were that Rider CUA diminishes the Company's incentive to conserve natural gas and that it is debatable whether the costs the Company seeks to recover through Rider CUA are significant.

I also recommended that should the Commission approve Rider CUA, it should remove the component that sets the baseline volume as the lesser of the previous year or the test-year forecast volume. Instead, the Company's conservation incentive is stronger if only the test-year volume is used as a baseline rather than the lesser volume of the test-year and the most recent year. Mr. Mudra agreed with this alternative recommendation. (Co. Ex. 29.0, p. 52).

Q. Since you filed your direct testimony, have you reviewed any additional materials regarding Rider CUA?

A. Yes. I read the direct testimony of Attorney General ("AG") and Citizen's Utility Board ("CUB") (collectively "AG/CUB") witness Scott J. Rubin and the rebuttal testimonies of Company witnesses O'Connor, Bartlett, and Mudra. Mr. Rubin's direct testimony referred to pages 39-40 of the Commission's final order in Docket No. 04-0779, Nicor Gas' last rate case. I read those pages of the Commission's 2004 order as well.

1. Mr. Rubin's direct testimony.

Q. Please summarize Mr. Rubin's testimony.

A. Mr. Rubin argues that there should not be an automatic recovery mechanism for costs the Company seeks to recover in Rider CUA (AG/CUB EX. 2.0 pp. 13-18). He bases this opinion on the facts that Rider CUA causes the Company's customers to bear all risks from natural gas price fluctuations (p. 14), the lack of substantial fluctuation in costs and usage from year to year (p. 14), and the ability of the Company to request amortization from the Commission of the portion of Rider CUA costs in Account 823 if these costs were to change significantly.

Q. Did Mr. Rubin's direct testimony cause you to alter your overall recommendation to reject Rider CUA?

A. No. I believe Mr. Rubin's direct testimony strengthens my recommendation to reject Rider CUA. In the event that prices are substantially above the test-year forecasted level, the Company, with Commission approval, can amortize a large percentage of the costs that Rider CUA seeks to recover.

Q. What recommendations would you make based on this new evidence?

A. Should the Commission feel that Rider CUA is warranted, I recommend that it only allow recovery of expenses from Accounts 819 and 931 through Rider CUA and that it continues to allow the Company the ability to amortize the costs associated with account 823.

2. Response Mr. O'Connor's rebuttal testimony

Q. Please summarize Mr. O'Connor's rebuttal testimony regarding Rider CUA.

A. Mr. O'Connor's rebuttal testimony addresses my statement that "[n]atural gas prices are very volatile" (Staff Ex. 13.0, p. 22) and makes an incorrect assertion that I concur "that the impact of a dollar change to the price of company use gas is significant when measured against Nicor Gas net income." (Co. Ex. 27.0, p. 14).

Mr. O'Connor responds to Mr. Rubin's testimony by asserting that Mr. Rubin fails to recognize the volatility of prices (Co. Ex. 27.0, p. 16.), or the impact of this volatility on cost recovery (Co. Ex. 27.0, p. 16.). Further, Mr. O'Connor believes that seeking Commission approval to recover significant costs under account 823 is not adequate to address the volatility of Company use gas costs because this procedure is intended for "protection for volumetric gains or losses arising from cumulative inaccuracies of gas measurement" and that this method "does not allow for the recovery of higher costs, it merely postpones recognition of the costs over an amortized period." (Co. Ex. 27.0 p. 17).

Q. Do you agree with Mr. O'Connor's position regarding amortizing costs in account 823?

A. I am not an accountant. However, Staff's position is that these costs can be recovered through amortization with Commission approval. Staff witness Hathhorn addresses the accounting details. (Staff Ex. 15.0)

Q. Do you concur that the dollar change in the price of gas is significant when measured against Nicor Gas net income?

A. No. In my direct testimony, I stated that a $1 change from the test-year forecasted average price of natural gas leads to about a 2.2% change in the Company's proposed operating income. I also noted that the 2.2% figure appears more significant in terms of being a much higher percentage than the 0.2% if one compares it to the Company's original cost rate base.

Also, the Commission removed the portion of this Rider associated with account 823 from Rider 6 in the Company's 2004 rate case order (Docket No. 04-0779, pp. 39-40) and ordered it recovered from base rates, because account 823 allows for amortization with Commission approval in the case of significant adjustments. This provision further diminishes the potential impact of gas prices on company use gas costs.

Q. Please elaborate on your statement that natural gas prices are very volatile.

A. Overall, I believe there is volatility in the price of natural gas. However, that statement from my direct testimony should be amended to say natural gas future prices are very volatile rather than natural gas prices are very volatile. I believe this is supported by the remainder of my answer in direct testimony. The very next sentence begins to describe the New York Mercantile Exchange ("NYMEX") settlement prices for January 2009. Later in my answer, I address Henry Hub spot prices and discuss the volatility in those prices.

However, the real concern facing the Company is the volatility in annual average prices not the price for the same month across different years. There is much less volatility in annual average prices than in monthly prices.

Q. Why is the average annual price more important than the monthly prices?

A. The Company uses gas over the course of the year. In some months the price may be higher than the test-year forecasted price and in other months it may be lower. Overall, the test-year forecasted gas use relevant to Rider CUA is 3,080,000 MMBtu (Co. Resp. to Staff DR DB2.07 Ex. 1-Supp.) and $26.8 million is the approximate test-year forecasted cost (Co. Ex. 12.0, Figure 5, p. 18). This amounts to an average test-year price of approximately $8.70 per MMBtu ($26.8 million/3,080,000 MMBtu) for company use gas.

The analysis I performed in my direct testimony examined the volatility of future prices within individual months and the range of spot prices for the same month in different years. Neither method addressed the volatility of average annual prices. In Co. Ex. 27.5, Mr. O'Connor used the coefficient of variation to measure cost volatility. I conduct a similar analysis later in this testimony.

Q What is the coefficient of variation?

A. The coefficient of variation ("CV") is a measure of how compactly distributed a random variable is around its mean. The lower the value of the coefficient of variation, the more compact the distribution and the less volatility. The mathematical formula for CV is the standard deviation of a random variable divided by its mean.

Q. How volatile are prices using the coefficient of variation?

A. If I use the coefficient of variation as a measure of price volatility, similar to Mr. O'Connor's analysis in Co. Ex. 27.5, the value for annual average spot prices for the years 2000-2007 is 0.30 (see Staff Ex. 25.1). This represents a much less volatile impact than the 0.62 CV that Mr. O'Connor calculates for "Total Company Use Impact" in CO. Ex. 27.1.

Q. Why do you think price volatility is a more appropriate measure of volatility rather than the "total company use impact" that Mr. O'Connor reports?

A. As Mr. O'Connor points out, "Rider CUA seeks only to address the impact of the volatility of natural gas prices not the level of consumption" and "[t]here are essentially two components that comprise company use expense, price and volume." (Co. Ex. 27.0, p. 16). Mr. O'Connor's method fails to separate the impact of changes in natural gas prices from the impact of changes in volume. The result is that he is measuring the total impact that both prices and volumes have on company use expenses, not the impact that just price volatility has on company use expenses. My method more accurately portrays the impact of price volatility, which is a more important measure, since Rider CUA is intended to address the impact of price volatility on company use gas costs.

3. Response to Mr. Mudra's Rebuttal Testimony

Q. Please summarize Mr. Mudra's testimony regarding Rider CUA.

A. Mr. Mudra replied to my recommendations with respect to the conservation incentives in the originally proposed Rider CUA. Specifically, the Company removed the reference to the lesser of the most recent year and test-year forecasted volumes in the definitions of the RCCUT and RCTSCT portions of Rider CUA. RCCUT and RCTSCT are variables used within the calculation for the money the Company recovers through Rider CUA[1].

Q. What was the reason for your recommendation?

A. By always referencing back to the most recent year, Rider CUA significantly reduces the incentive of the Company to invest in conservation or to make expenditures that reduce natural gas usage. This occurs because it reduces the recovery period on these investments to only one year since the impact of the investment would be reflected in lower use in the next year's

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[1] The original definition of RCCUT is The lesser of (i) the amount of Company Use that would be included in Account 819 and Account 932, measured in therms, and that used in the computation of base rates in the Company's most recent rate case, or (ii) ACUT. RCTSCT was orinally defined as The lesser of (i) the amount of Company Use that would be included in Account 823, measured in therms, and that used in the computation of base rates in the Company's most recent rate case, or (ii) ACUT. ACUT is the amount of Company use, measured in therms, purchased in the previous calendar year.

baseline.. In the next year, the originally proposed Rider CUA takes into account the savings that occurred in the previous year and prevents further recovery on this investment until the next rate case.

Deleting the reference to the most recent year permits Nicor Gas to benefit from the investment in the years between the investment and the next rate case. In this sense, it serves as a sort of regulatory lag that increases the incentive for the Company to behave efficiently.

Q. Is this your primary recommendation?

A. No. My primary recommendation is to reject Rider CUA on the grounds that it distorts the Company's incentive to conserve gas. Conservation is motivated by both high prices and a desire to mitigate risk. The alternative recommendation to remove the reference to the lesser volume of the most recent year and test-year mitigates the effect that high prices have on company use volumes, but it does nothing to preserve the incentive associated with risk mitigation. Rider CUA transfers the Company's gas cost risk to its customers and distorts the Company's incentive to conserve gas.

4. Conclusions regarding Rider CUA

Q. Please summarize your overall conclusions and recommendations regarding Rider CUA.

A. I recommend that the Commission reject Rider CUA. More than half the costs the Company seeks to recover through Rider CUA are potentially recoverable through a request for amortization. The remainder of these costs does not rise to the level of being significant. Alternatively, I recommend that, should the Commission approve Rider CUA, it should remove the portion of the costs that are associated with account 823 from Rider CUA, and it should remove the reference to the lesser volume of the most recent year or the test-year forecast from the definitions of RCCUT and RCTSCT.

IV. Rider 29: Energy Efficiency Plan ("EEP")

1. Summary of Conclusions from direct testimony

Q. Please summarize your recommendations regarding Rider EEP.

A. My overall recommendation was to reject Rider EEP on the grounds that it is unclear whether there are any detectable savings that arise from natural gas energy efficiency programs. There is a clear trend in per household reductions in natural gas usage nationwide, in Illinois, and within the Nicor Gas service territory. It is not clear whether the per household usage reductions are greater in states with natural gas energy efficiency programs than they are in Illinois, or in the Nicor Gas service territory. Based on the lack of discernable reductions in per household use, I believe that it is not advisable to compel customers to spend $13 million for this program.

I also recommend that if the Commission disagrees with my overall recommendation that it should remove the Conservation Stabilization Adjustment ("CSA") from Rider EEP and change the management structure of the Program.

The CSA is a clause that allows the Company to recover revenue that is lost as a result of program induced therm reductions. The problem with this recovery mechanism is that parties who have a vested interested in the success of the EEP will be deeming the therm reductions used to determine lost revenues under CSA. The proposed change in management structure that I propose would make Nicor Gas' EEP similar to that of the ComEd and Ameren electric energy efficiency programs. Under my proposed structure, Nicor Gas would ultimately make the decisions about which programs are is clearly responsible for the reasonableness of any program costs that are incurred and interested and knowledgeable stakeholders are able to provide their insights, experiences and expertise. The Comed/Ameren type of structure may also streamline the implementation of programs because placing the responsibility of the program on a solo entity rather than a committee usually provides for a more efficient process.

2. Issues from Nicor Gas witness Gerald O'Connor's testimony

Q. What issues from your direct testimony does Mr. O'Connor respond to in his rebuttal testimony?

A. Mr. O'Connor's rebuttal testimony addresses whether an energy efficiency program is warranted and whether a Conservation Stabilization Adjustment ("CSA") is an appropriate recovery mechanism for revenue losses that result from EEP-sponsored energy efficiency projects.

Q. Please summarize your objections to the need for an energy efficiency plan.

A. I noted in my direct testimony that "[e]nergy conservation is a desirable goal" (Staff Ex. 13.0, p. 6) but that there are downward trends in residential natural gas usage within the Company's service territory as well as across Illinois and nationwide. I also noted that despite not having any energy efficiency plans in effect and despite experiencing lower average increases in natural gas prices, average residential natural gas usage declined by a greater quantity in Illinois than it did in the states of Minnesota, Iowa, and Wisconsin. These other Midwestern states all have energy efficiency plans in place.

Since these other states have little or no detectable improvement in per household consumption reductions relative to Illinois that does not have these programs, I question the effectiveness of the programs.

Q. How did Mr. O'Connor respond to this evidence?

A. Mr. O'Connor made no attempt to refute the evidence I presented regarding whether there was a need for an energy efficiency plan. Instead, he questioned why I would present such evidence after the Commission has approved energy efficiency programs for Commonwealth Edison ("ComEd") in Docket No. 07-0540, Ameren CILCO, Ameren CIPS, and Ameren IP (collectively "Ameren") in Docket No. 07-0539, and the Peoples Gas in Docket No. 07-0241/07-0242 consolidated. (Co. Ex. 27.0, pp. 23-24).

Q. Why did you present this evidence?

A. The Commission must make reasoned decisions based upon facts and analysis. The evidence I presented is valid. The Commission should consider how small the benefits are likely to be to the ratepayers who will be compelled to pay $13 million annually if the Commission approves Rider EEP.

Nicor Gas witness Nichols points out in her rebuttal testimony that the energy efficiency plans approved for ComEd and Ameren were legislatively mandated. (Co. Ex. 28.0, p. 3). The Final Order in the Peoples Gas/North Shore Gas case indicates that Peoples Gas and North Shore Gas were required to submit an energy efficiency plan as condition to approval of a merger between those companies. (Docket No. 07-0241/07-0242 cons., Final Order p. 183). In addition to the cases Mr. O'Connor cited, the Commission also approved a natural gas efficiency program for the Ameren utilities (Docket No. 08-0104). This program was not required by a merger agreement or a legislative mandate but is intended to run in conjunction with Ameren's electric energy efficiency programs (Docket 08-0104, Final Order p. 2 and p. 22)

However, there is neither a merger condition nor a legislative mandate requiring Nicor Gas to present an energy efficiency plan. The burden of proof is on the utility to support and demonstrate that these charges are just and reasonable. (Public Utility Act 220 ILCS 5/9-201). In Ms. Nichols' rebuttal testimony, she testifies that "[w]e do not know, however, how much more efficiency is reasonable or proper." (Co. Ex. 28.0, p. 7). She continues by stating that a market analysis is one of the first steps the Company envisages: apparently, no such study currently exists. The benefits of an energy efficiency program are the monetary savings that accrue to ratepayers due to additional conservation resulting from EEP projects.

However, the company admits that it does not know these savings. If the natural gas savings, the "condition of customer homes and businesses within the Nicor Gas territory, availability of products or implementers of natural gas efficiency measures, and other factors" (Co. Ex. 28.0, p. 7) are not currently known, then implicitly, the company cannot meet its burden of proof. The Company apparently knows neither the potential benefits nor the potential costs since it has presented no evidence of either.

Q. Has the testimony of Mr. O'Connor or any other witness caused you to change your recommendation to reject Rider EEP and the Energy Efficiency Program that would result?

A. No. Rider EEP should be rejected. I provided my reasons for rejecting Rider EEP in the "Summary of Conclusions" section that begins on page 9. Although Staff is not opposed to energy efficiency programs, the specifics of this program are too vague to evaluate the potential effectiveness and Staff cannot endorse the proposal as presented.

Q. Please summarize your concerns about the Conservation Stabilization Adjustment ("CSA").

A. The CSA provision is intended to allow the Company to recover revenues that are lost due to usage reductions occurring because of the Energy Efficiency Program.

The problem with the CSA clause is that the therm savings used in the calculation are proposed to be estimated by Program Implementers who request approval to implement a project. (Co. Ex. 12.0, p. 28). These Program Implementers are likely to have an incentive to overstate the therm savings in order to receive approval from the Advisory Board. Mr. O'Connor also believes that no ex post evaluation of these projects should be used to determine the accuracy of the ex ante estimates of therm savings. (Co. Resp. to Staff DR BCJ 10.02).

3. Response to Nicor Gas witness Kristine Nichols Rebuttal Testimony

Q. What issues from your direct testimony does Ms. Nichols rebuttal testimony address?

A. Ms. Nichols' rebuttal testimony discusses my concerns about the Company's proposed management structure for the energy efficiency plan ("EEP").

Q. Please summarize these concerns.

A. I continue to have two main concerns related to the management structure that Nicor Gas proposed for its EEP. The first concern relates to the pilot nature of the program potentially giving Nicor Gas undue influence over the Advisory Board. Nicor may have the ability to determine that the program does not warrant continuation after the four-year pilot is complete. The Company's ability to influence the Advisory Board with the threat of discontinuation could influence the decisions of the Advisory Board to accept or reject certain projects. This influence is much more likely to occur if the Commission rules that the Company is responsible for the prudency of expenditures authorized by the Advisory Board, which is my second concern.

The Company's proposal may lack fiscal accountability. The Company believes that it is inappropriate to hold it accountable for imprudent expenditures made by the board. The expenditures are approved and executed by an advisory board which has up to five members, and Nicor Gas has only one vote and is therefore a minority among the stakeholders. (Co. Resp. to Staff DR BCJ 9.04) If the Commission agrees with the Company's position about its accountability for expenditures, accountability for the prudence of expenditures becomes tenuous. If the Commission rules that the Company is accountable for the expenditures that the Advisory Board authorizes, the Company has an incentive to threaten discontinuation of the program as a negotiating tool.

Q. What recommendations did you make based upon these concerns?

A. I recommended that if the Commission decides to approve a Rider EEP for Nicor Gas that it alters the management structure to provide an advisory board of interested parties similar to the structure approved for ComEd and Ameren in Dockets 07-0539 and 07-0540. Under a structure similar to that of the electric energy efficiency programs, stakeholders are still able to provide feedback, experience, and expertise to the EEP and fiscal accountability and prudence review is still possible.

Q. Does Ms. Nichols agree with your recommendations?

A. No. Ms. Nichols holds instead that the Company has limited experience in energy efficiency programs (Co. Ex 28.0 p. 2). As a result, the Company prefers to "put the decisions of what portfolio of programs would best serve Nicor Gas customers into the hands of a qualified, experienced, and *independent* Board." (Co. Ex. 28.0 p. 3). She continues by stating that I fail to consider the voluntary nature of the Nicor Gas EEP compared to the legislatively mandated EEPs for ComEd and Ameren. The structure I propose, she asserts, will delay the anticipated rollout of programs by one heating season, because it requires contested proceedings in a docketed case before the Commission. (Co. Ex. 28.0 pp. 3 – 4.)

Finally, Ms. Nichols makes five arguments to address my concerns regarding the potential for undue influence that the four-year pilot nature of this EEP may allow the Company to exert over the advisory board. (Co. Ex. 28.0 pp. 5-6).

Q. Did Ms. Nichols' five arguments change your opinion about the potential for abuse from the management structure proposed by the Company?

A. No. Of the five arguments that Ms. Nichols made, only the fourth argument attempts to directly address my concerns. That argument states that "its [the advisory board's] continued existence would be dependent on the EEP's performance, the perceived need for the continuing energy efficiency measures in the Nicor Gas territory, and Commission approval." (Co. Ex. 28.0 p. 5).

Ultimately, Nicor Gas will make the recommendation to the Commission about whether the EEP's performance was adequate, and whether there is a need for continuing energy efficiency measures beyond the pilot period. The Commission's final order in the Company's 2004 rate case interpreted section 9-201 of the Public Utilities Act (220 ILCS 5/9-201) to mean that "[i]ntervenors do not have standing to make a proposal that expands the utility's burden of proof" to establish the justness and reasonableness of the proposed rates and other charges (Docket 04-0779 Final Order pp. 191-192). In light of this, it is difficult to ascertain how the Commission will continue Rider EEP charges if the Company does not support the justness and reasonableness of these charges.

This gives the Company a strong negotiating tool that can be used to subvert the autonomy that this proposed structure is intended to provide. As a result, there is a potential for stakeholders to approve expenditures that may not be in the interest of ratepayers in order to continue or increase the scope of the EEP beyond the four-year pilot.

Q. Do you agree that your proposed alternative structure would delay the rollout of programs?

A. No. I recommend that the Commission authorize an advisory board similar to the one approved in the ComEd and Ameren electricity energy efficiency programs. Three advantages of this approach are that it allows for interested parties to have input into the process and to provide expertise, it places clear responsibility for program expenditure on Nicor Gas which is under the Commission's jurisdiction, and it may streamline the process.

Nothing in my recommendation suggested that the entire process of contested proceedings with item-by-item analysis of benefits and costs for each potential project be replicated. My recommendation provides a framework for stakeholders to provide meaningful feedback and expertise into the process while simultaneously protecting ratepayers from excessive or unnecessary expenditures. Under my proposal, a prudence review where the Company justifies its expenditures can be done as part of the annual reconciliation.

My proposal may in fact expedite the process beyond that proposed by the Company. It is well known that committees do not act as efficiently as solo entities. This is the result of balancing competing interests. If the Company is ultimately responsible for the expenditure and execution of the program, it streamlines the process and may lead to a quicker rollout of projects.

Q. Ms. Nichols also states that you believe the Commission erred when it approved a similar management structure in the Peoples Gas Order. Please comment!

A. My criticism of the Nicor Gas EEP does not apply to the Peoples Gas' EEP. The Peoples Gas' EEP was not approved as a pilot. It was approved as a permanent EEP. As a result, the potential threat of discontinuation of the program is not available as a negotiating tool to the Peoples Gas.

However, it appears that the Company's most compelling argument regarding the EEP as currently proposed is that the Commission approved a very similar program for the Peoples Gas and that it should do the same for Nicor Gas. I believe Ms. Nichols' rebuttal testimony about what the Company envisages for the evolution of the EEP compared to the direct testimony of Environmental Law and Policy Center ("ELPC") witness Kubert should give the Company pause about its proposed structure. The ELPC is a stakeholder in the Peoples Gas EEP and may become a stakeholder in Nicor Gas' EEP as well. Mr. Kubert already indicates a desire to consolidate the Peoples Gas and Nicor Gas programs. (ELPC Ex. 1, lines 164-166) and the Company indicates a desire to not consolidate the programs (Co. Ex. 28, p.9).

Q. Are there any conditions that would make your alternative management structure less attractive than the structure proposed by the Company?

A. Yes. If the Commission approves an energy efficiency plan that includes a Conservation Stabilization Adjustment ("CSA"), I would strongly advocate against a management structure that gives the Company the ability to determine the projects developed and the level of gas savings that result from the projects. The potential for abuse under this scenario is much greater than it is with an independent governance board. Giving the Company control over program implementation and selection and the ability to recover lost revenues from therm savings that it deems is not advisable.

4. Response to ELPC witness Kubert's direct testimony.

Q. What issues do you address from Mr. Kubert's direct testimony?

A. I disputed many of Mr. Kubert's claims about the potential for energy savings in Illinois (Staff Ex 13.0, pp. 9-12). In particular, Mr. Kubert does not accurately compare residential usage per customer in Illinois to that of surrounding states that have energy efficiency programs. Illinois residential natural gas usage per household has been higher than the Midwestern states of Iowa, Wisconsin, and Minnesota at least since 1990, but Illinois customers have reduced usage by a greater volume despite not enacting any energy efficiency programs and having smaller price increases than these other states. A new issue in Mr. Kubert's direct testimony is his proposal to increase funding levels beyond those proposed by the Company.

Q. What is Mr. Kubert's increased funding proposal?

A. Mr. Kubert believes that the Company's proposal of $13 million per year is too low and that the amount should increase each year of the pilot. Specifically, he requests funding levels of $15 million in year 1, $17.5 million in year 2, $20 million in year 3 and $25 million in year 4. (ELPC Ex. 1, lines 142-143).

Q. Do you agree with Mr. Kubert's recommendation?

A. No. My overall recommendation is to reject Rider EEP in its proposed form. Staff is not opposed to energy efficiency programs per se. However, Staff is concerned that no evidence about the effectiveness of this proposal has been presented. It is debatable whether the proposed energy efficiency program will be effective at all. Given the uncertainty about the proposed EEP's effectiveness, it is extremely premature to ramp up EEP expenditures in the absence of an evaluation of the pilot.

Q. What expenditure recommendations do you recommend?

A. I recommend that if the Commission approves an EEP, $13 million is the maximum the Commission should allocate. On the other hand, the Commission could determine that a smaller dollar amount provides the necessary information to evaluate the EEP's effectiveness. If an independent evaluation of the pilot determines that the program is cost effective and that greater expenditures will increase the overall effectiveness of the program, then the Commission can increase expenditure at that time. Indeed, and maybe more conservatively, the Commission may consider deferring judgment about approving an energy efficiency program in the Nicor Gas service territory until it receives evaluations of the effectiveness of the natural gas energy efficiency programs conducted in the Peoples/North Shore Gas and the Ameren territories.

V. Conclusion

Q. Does this conclude your rebuttal testimony?

A. Yes.

VERIFICATION

I, David Brightwell, being first duly sworn, depose and state that I am an Economic Analyst in the Policy Program of the Energy Division of the Illinois Commerce Commission; that I sponsor the foregoing Rebuttal Testimony of David Brightwell; that I have personal knowledge of the information stated in the foregoing Rebuttal Testimony; and that such information is true and correct to the best of my knowledge, information and belief.

David Brightwell
Economic Analyst
Illinois Commerce Commission

Subscribed and sworn to before me
this 23rd day of October, 2008.

Lisa Bowman
Notary Public

OFFICIAL SEAL
LISA BOWMAN
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 12-9-2011

Prices in Dollars per MMBtu

Month/Year	2001	2002	2003	2004	2005	2006	2007
January	8.18	2.26	5.44	6.15	6.13	8.68	6.55
February	5.62	2.31	7.78	5.39	6.13	7.54	7.98
March	5.16	3.03	5.95	5.38	6.92	6.89	7.10
April	5.17	3.43	5.28	5.71	7.20	7.16	7.59
May	4.21	3.50	5.82	6.29	6.49	6.24	7.63
June	3.71	3.23	5.82	6.30	7.16	6.22	7.36
July	3.11	2.99	5.03	5.93	7.64	6.15	6.21
August	2.96	3.09	4.97	5.44	9.46	7.15	6.23
September	2.15	3.55	4.62	5.11	11.88	4.91	6.08
October	2.45	4.12	4.65	6.39	13.42	5.77	6.80
November	2.37	4.03	4.47	6.16	10.28	7.40	7.14
December	2.42	4.75	6.15	6.62	13.05	6.82	7.14
Avg Annual Price	3.96	3.36	5.50	5.91	8.81	6.74	6.98

Year	Avg Price
2001	3.96
2002	3.36
2003	5.50
2004	5.91
2005	8.81
2006	6.74
2007	6.98
Avg	5.89
St. Dev	1.72
CV	0.29